



SMALL BUSINESS ECONOMIC IMPACT STATEMENT FOR PROPOSED RULES TO CHAPTER 16-29 WAC

SUMMARY OF PROPOSED RULES

During the 2011 Legislative session, the cattle industry approached the legislature for WSDA to adopt rules that will prevent the introduction or spreading of infectious livestock diseases into the state. One component of this request is the ability to carry out animal disease traceability activities for cattle funded through fees. The legislation was passed (Substitute House Bill 1538) and a new section was added to chapter 16.36 RCW allowing the director to administer animal disease traceability activities for cattle by adopting by rule a fee per head on cattle sold or slaughtered in the state, or transported out of the state. The fee would not exceed forty cents per head of cattle.

The Washington State Department of Agriculture is proposing to establish chapter 16-29 WAC, *Animal Disease Traceability* within Title 16 WAC, *Department of Agriculture*. The purpose of this chapter is to establish animal disease traceability activities for cattle.

SMALL BUSINESS ECONOMIC IMPACT STATEMENT

Chapter 19.85 RCW, the Regulatory Fairness Act, requires an analysis of the economic impact proposed rules will have on regulated small businesses. Preparation of a Small Business Economic Impact Statement is required when proposed rules will impose more than minor costs for compliance or have the potential of placing an economic impact on small businesses that is disproportionate to the impact on large businesses. "Minor cost" means a cost that is less than three-tenths of one percent of annual revenue or income, or one hundred dollars, whichever is greater, or one percent of annual payroll. "Small business" means any business entity that is owned and operated independently from all other businesses and has 50 or fewer employees.

INDUSTRY ANALYSIS

The Animal Disease Traceability program will be responsible for administering animal disease tracebacks for livestock within the state of Washington. The program has determined it regulates 6,420 existing businesses that fall under the North American Industry Classification System codes corresponding to the regulated industry: 31161, Animal Slaughtering (except poultry); 112120, Dairy Cattle and Milk Production; 112111, Beef Cattle Ranching & Farming; and 112112, Cattle Feedlots.

INVOLVEMENT OF SMALL BUSINESSES

A small business economic impact assessment survey was mailed to 6,420 producers and businesses (6,063 registered brand holders and 357 businesses associated with cattle who were not registered brand holders) to analyze the economic impact of proposed rules on small businesses.

WSDA analyzed how the fee per head to administer animal disease traceability activities for cattle would be collected on cattle at change of ownership, transported out of the state, or slaughtered in the state.

COST OF COMPLIANCE

RCW 19.85.040 directs agencies to analyze the costs of compliance for businesses required to comply with the proposed rule, including costs of equipment, supplies, labor, professional services, and increased administrative costs. Agencies must also consider whether compliance with the rule will result in loss of sales or revenue. RCW 19.85.040 directs agencies to determine whether the proposed rule will have a disproportionate cost impact on small businesses by comparing the cost of compliance for small business with the cost of compliance for the ten percent of the largest businesses required to comply with the proposed rules. Agencies are to use one or more of the following as a basis for comparing costs:

- Cost per employee;
- Cost per hour of labor; or
- Cost per one hundred dollars of sales.

The program has opted to look at cost per one hundred dollars of sales as a basis for comparing costs.

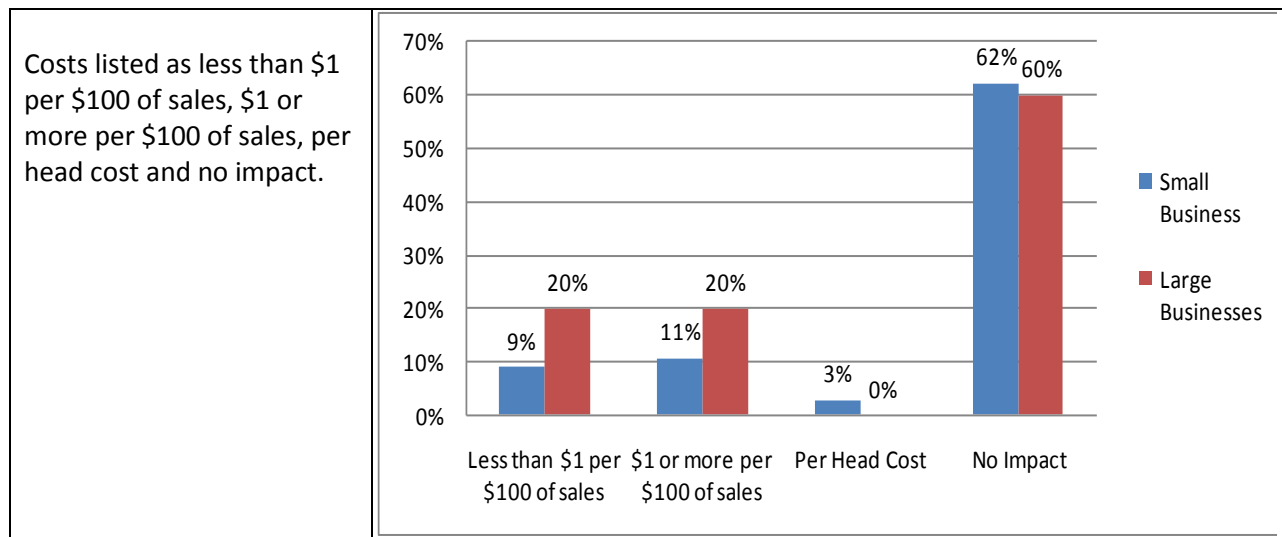
Analysis of Cost of Compliance

The program has analyzed the cost of compliance anticipated by regulated small businesses. Four hundred and eight small businesses and five large businesses returned the small business economic impact survey. Thirty-seven percent of small businesses and sixty percent of the large businesses surveyed indicated fees would have an impact.

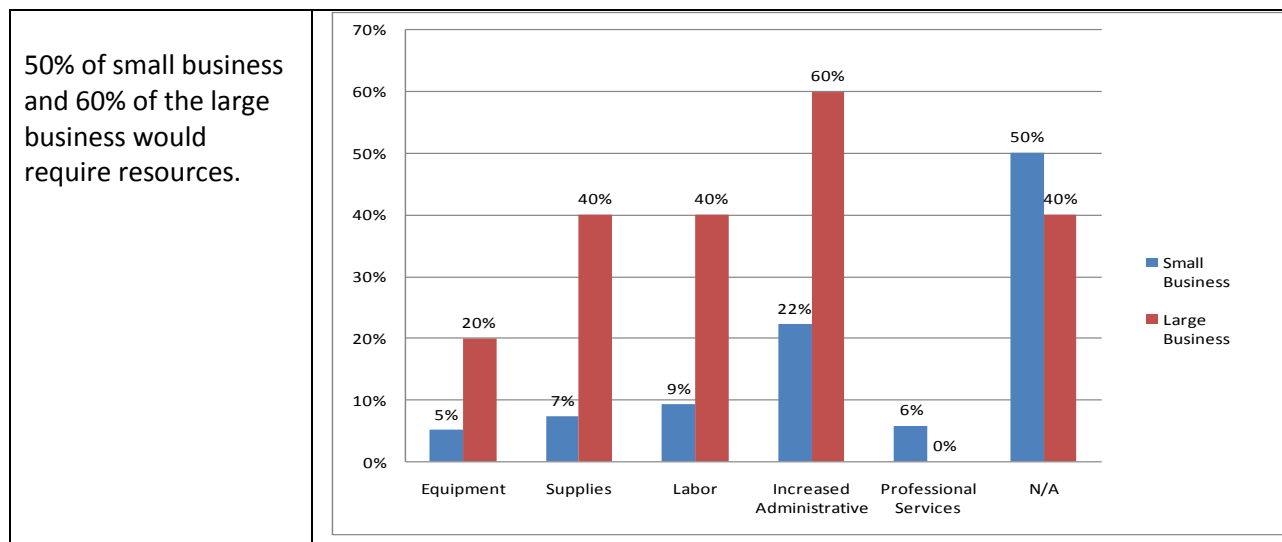
The following questions were asked and then charted to business that may have an impact from Substitute House Bill 1538:

- Will the business incur costs to comply? If yes, cost per \$100 of sales?
- What kinds of resources will the business likely need i.e. equipment, supplies, labor increased administrative costs or professional services?
- Will the business lose sales or revenue? If yes, how much revenue will be lost?
- Will jobs be created or eliminated? If yes, how many jobs?

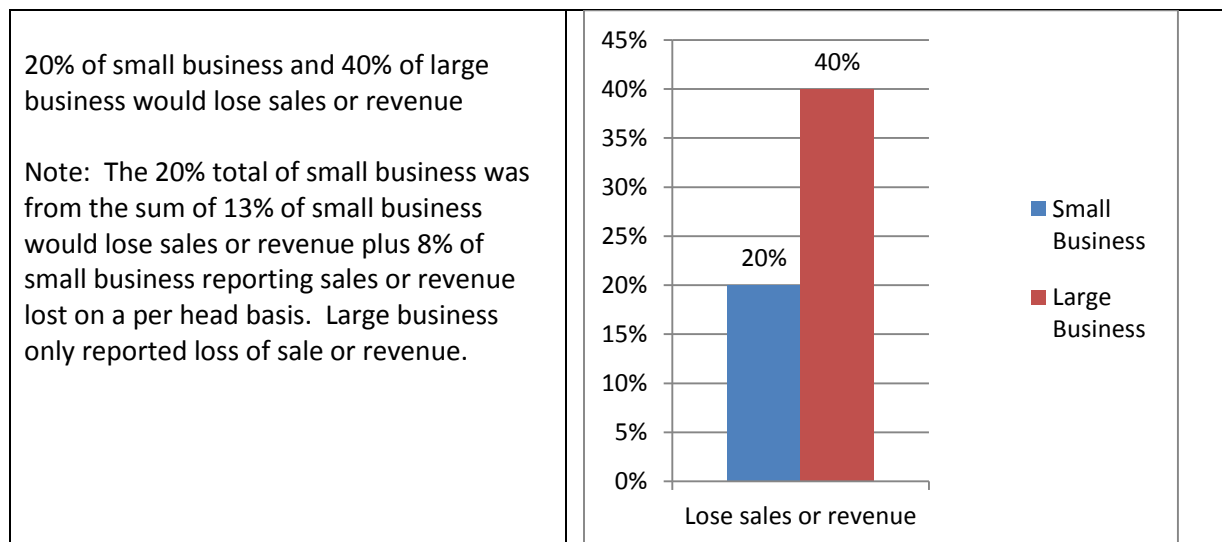
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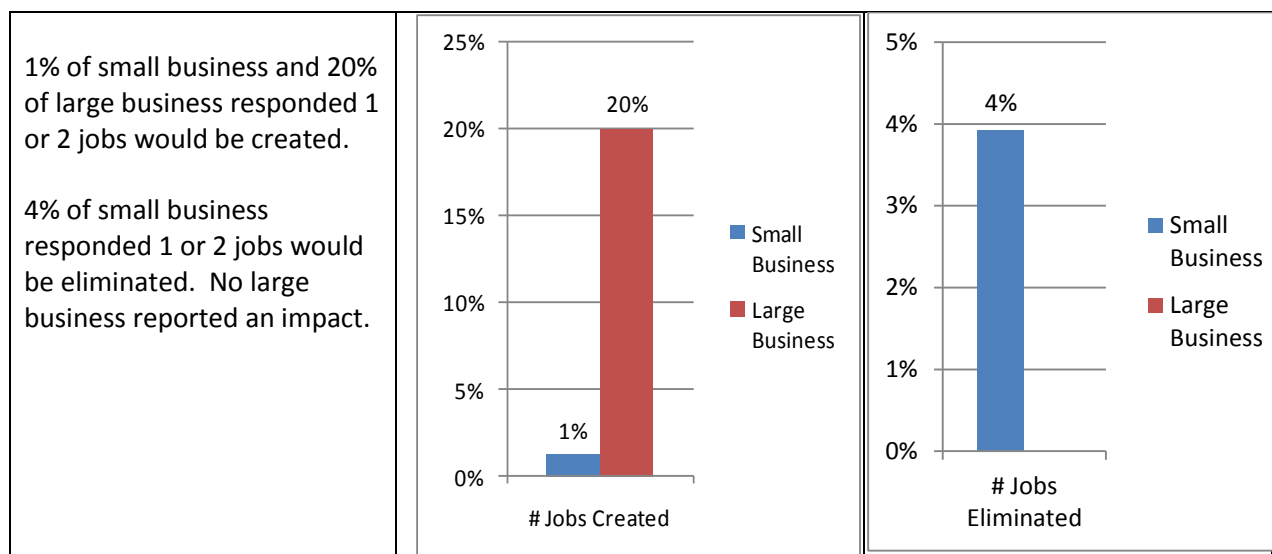
Analysis of Disproportionate Economic Impact

When costs associated with proposed rules are more than minor, the Regulatory Fairness Act requires a comparison of the costs to small businesses with those of ten percent of the largest businesses in the regulated industry. An analysis has shown that the costs small businesses will incur to comply with the proposed rules are not more than minor and are not disproportionate to costs incurred by large business entities.

JOBS CREATED OR LOST

Under RCW 19.85.040, agencies must provide an estimate of the number of jobs that will be created or lost as the result of compliance with the proposed rules.

Question: Will jobs be created or eliminated? If yes, how many jobs?



CONCLUSION

To comply with chapter 19.85 RCW, the Regulatory Fairness Act, the Department of Agriculture has analyzed the economic impact of the proposed rules on small businesses and has concluded that the costs are not more than minor and there is no disproportionate impact between small and large businesses.

Please contact David Hecimovich if you have any questions at (360) 725-5493 or by e-mail at dhecimovich@agr.wa.gov.